Suppliers Conference

Transforming the Defense Logistics Agency

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Discussion Points

- The Agency
- Our Case for Change
- Transformation
- BSM Backbone - Concept Demo
- The Rest of Transformation
- A Look Ahead

The Agency

The DLA Enterprise

- 1312 Weapon Systems Supported
- $80B Inventory
- 20M Requisitions
- 23M Receipts & Issues
- 132M Net Barrels of Fuel Sold
- $13.5B

The DLA Enterprise…

People

21,000 civilians

500 active duty military

600 reserve military

48 states

28 countries

The DLA Enterprise…

FY02 Sales/Services:

- $21.5B
- Supply Centers $18.7B
  - Columbus $2.3B
  - Richmond $2.7B
  - Philadelphia $7.8B
- Energy Center $5.9B
- Distribution $1.4B
- Other $1.4B

FY03 Sales/Services:

The DLA Enterprise…

Foreign Military Sales

- **Sales** $719M
- **Shipments** 670K

DLA's Top 100 customers include 24 nations

Scope of Business

- 1312 Weapon Systems Supported
- $80.5B Inventory
- 132M Net Barrels Sold
- $13.5B Reutilizations/Di
- 20M Annual

Peopl e

21,000 civilians
500 active duty military
600 reserve military
8 states
ntries

Fortune 500: 2003
-DLA #78
-Lockheed Martin #79

FY02 Sa

- **Supply**: $18.2B
  - Supply Center Columbus
  - Supply Center Richmond
  - Supply Center Philadelphia
  - Energy Support Center $5.9B
- **Distribution** $1.4B annual
- **Disposal** $.3B annually
- **Stockpile** $.3B annually
- **Document Automation & Product**

n Military Sales

- **Sales** $719M annually
- **Shipments**: 670k annually

DLA's Top 100 customers include 24 nations

Our Case for Change

Case for Change

1998 – "We Need to Change!"

- **Legacy Systems on Final Breath**
  - **Designed in the sixties, built in the seventies**
  - **6,000,000+ lines of COBOL code**
  - → **Mainframe environment, batch processing**
  - → **Stove piped applications, multiple instances**
  - → **Time late, data & financial integrity issues**

Case for Change

1998 – "We Need to Change!"

→ **Rapidly Changing Business Environment**

- **Transactional Customer Relationships**

→ **Typical DoD-Supplier Relationships**

→ **Inflexible Business Alignment**

- **Customer Dissatisfaction**

→ **Losing Sales and Market Position**

Case for Change

1998 – "We Need to Change!"

- **Costs Not Well Understood**

→ "Holding Company Enterprise"-Vice- "One Enterprise"

- **New Opportunities**

Further Influenced by:

Defense Planning Guidance, Quadrennial Defense Review, Joint Vision 2020 &

DoD's Future Logistics Environment

Addressing Our Challenges Through Transformation

The Transformation - What

From	To
Manager of requisitions	Customer driven
→ Manager of Supplies	→ Supply chain integrator
→ Holding Company	→ One Enterprise
Best DoD practices	Best practices
’60s Technology	Information dominance
Overwhelming mass	Agility, efficiency & effectiveness

The Transformation - Elements

- Collaborating with Services' logistics teams

→ Collaborating to integrate supply chains

→ Reengineering processes to best practices

→ Re-tooling our workforce

→ Aligning organization with the business model

Systems Modernization ...The "Backbone"

Customer Relationship Management

National Inventory Management Strategy

Fuels Automated System

Business Systems Modernization

- Order Fulfillment
- Planning
- Financial Management
- Procurement
- Tech & Quality

Supplier Relationship Management

Dynamic Material Positioning

Strategic Distribution

Systems Architecture (SAP/Manugistics/PD²/Windows 2000)

...on Protocols, Standards, Reference Data, Integrated Data Environ...

Technical Architecture

Technical Infrastructure

Process Reengineering

Planning

- Demand by customer
- Collaboration
- Time-p… plan
- Supplie… and mai…
- Capable…
- Web-based procurement
- Pay on receipt

Order Fulfillment

- Time Definite Delivery
- Available to Promise
- …count
- …pliance
- …s integrated
- …iness
- …ons
- Change in Inventory Valuation Methodology

Technical & Quality

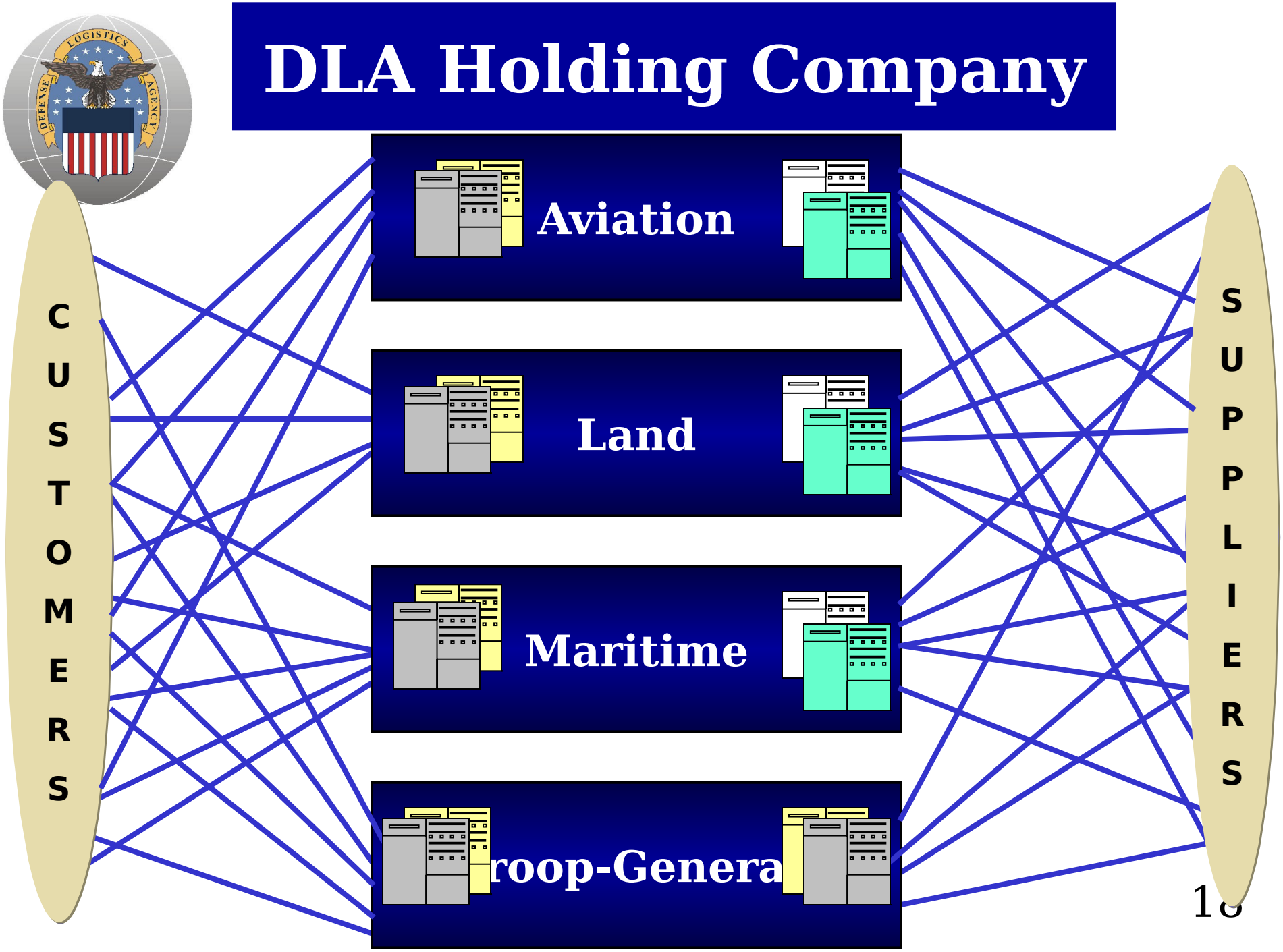
- Streamlined Item Introduction
- Comprehensive Product Lifecycle Management
- Improved Product Quality Assurance

Improve customer service by collaborating With Customers and Suppliers

…vide Best Value Solution

Customer → **DLA** → **Supplier**

DLA Holding Company

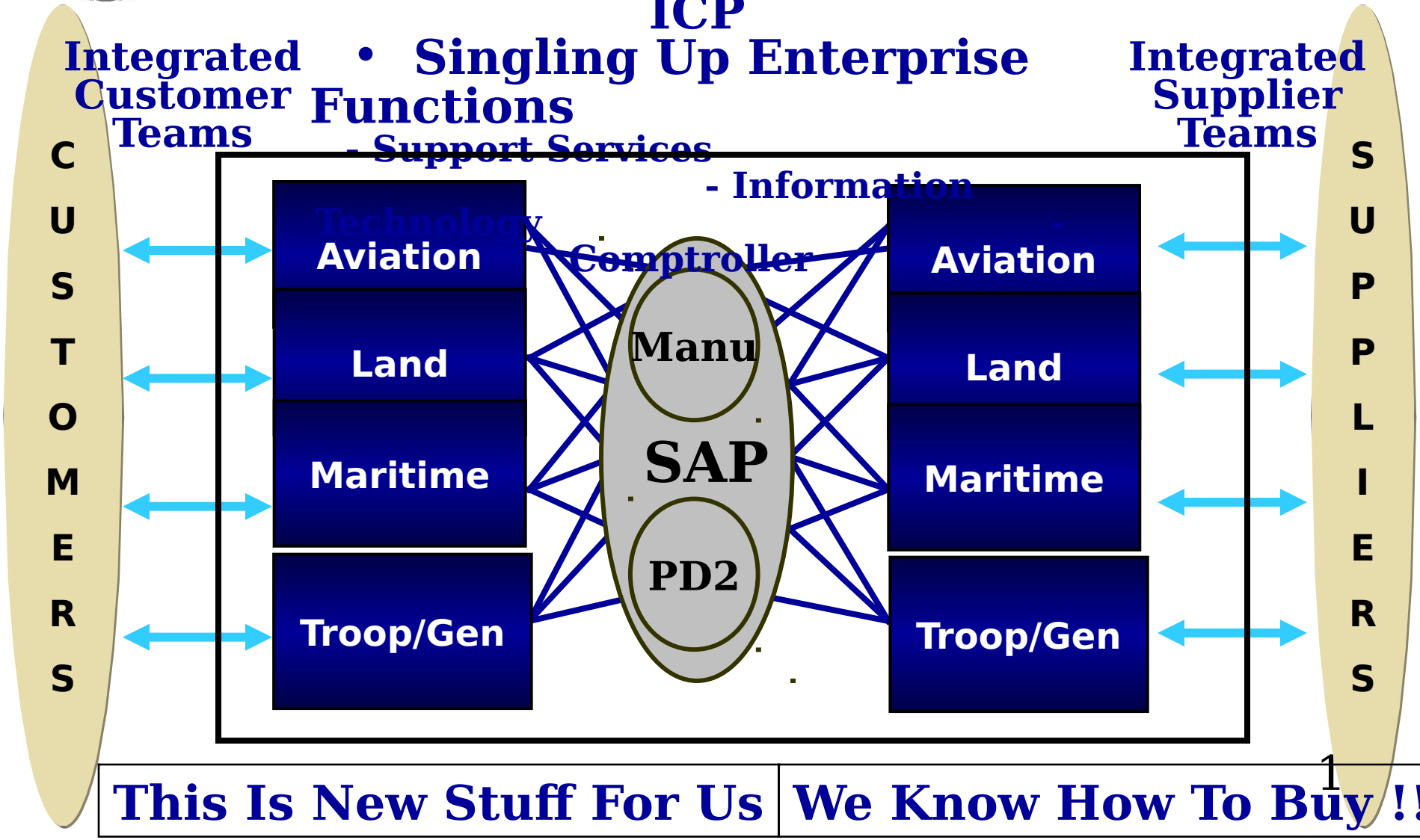


Organizational Realignment

- One Virtual Hardware ICP
- Singling Up Enterprise Functions
  - Support Services
  - Information Technology
  - Comptroller

Integrated Customer Teams

Integrated Supplier Teams



This Is New Stuff For Us | We Know How To Buy !!

Personnel Realignment

4,500 people impacted

- All new roles
- All new jobs
- All commercially based
- All receive role-based training

Position
Job Series = 12 Jobs = 24
Descriptions = 54
Legacy
Legacy = 24

Example: *Inventory Management Specialist*
Demand Planner

Workforce Transformation

Great strength of our workforce is a profound understanding of DLA's business models and processes, information flow, organizational structure, culture and IT systems

ERPs alter the entire

Partnership Transformation

Great strength of our partnerships is a mutual understanding our business models and processes, information flow, organizational structure, culture and IT systems

ERPs alter the entire

BSM Backbone - Concept Demo

Business Systems Modernization

- **Deployed 31 July ’02**
  - **Prove concept, manage and mitigate risk**
  - **Small % of DLA activity, … big business by any other measure**
- **Successful**
  - **All new, end-to-end integrated system fielded**
  - **One instance, multiple classes of materiel at three ICPs**
  - **Processes reengineered, organizations reshaped, workforce re-tooled**

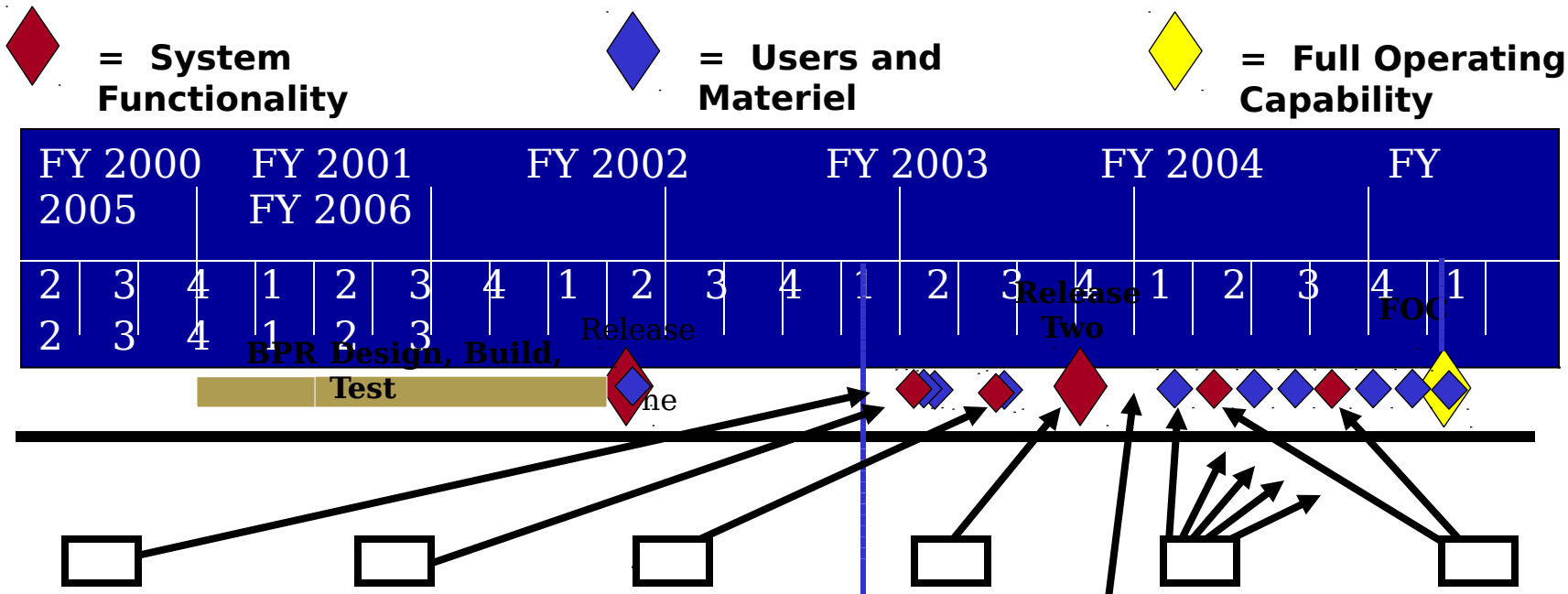
Business Systems Modernization

- **Successful, …but**
  - **Far harder, far longer and far more resources to stabilize than anticipated**
  - **Issues included: system log-on, access, interface, and responsiveness, software configuration and software-process mismatches, workload, change management, training, post "go-live" support and communications, …**
- **Lessons were learned and**

Procurement Solution

- **Procurement Strategy (July 31, 2002)**
  - **AMS' PD2 in Concept Demo**
  - **AMS' NGPD in Release Two**
  - **SAP in the end state**
- **NGPD headed in right direction, … could not meet BSM timelines (February 2003)**
- **Exercised legacy option of strategy (March 2003)**
  - **PD2 for Concept Demo**
  - **Single integrated instance of legacy in Release Two**
  - **SAP in the end state**

BSM Schedule



Release 1.1 - Subsistence (Retire Legacy System) BDUs

Business Warehouse BW 1.1

Release 1.2 C&T, Legacy Procurement Solution (Retire PD2) BW

Release 2.0 - Core

IOT&E

Phased Roll-out Line Items & Personnel

Releases 2.1 & 2.2 - Enhanced

The Rest of Transformation

The Transformation – Key Initiatives

- **National Inventory Management Strategy**
  - **Collaborative inventory investment reduction effort**
  - **Air Force and Navy pilots launched**
- **Dynamic Material Placement (DPMS)**
  - **Robust, commercial material positioning/management**
  - **First phase deployed, … completes in 2006**
- **A-76**
  - **11 complete, 8 ahead, … $700M+**

The Transformation – Key Initiatives

- **Customer Relationship Management**
  - **Vital logistics supply chain integration enabler**
  - **Initial capability deployed, … completes 2007**
- **Executive Agent**
  - **DLA-Services partnership to synchronize log management**
  - **Fuel, medical, subsistence and construction, … pending**
- **Supplier Relationship Management**
  - **Strategic Material Sourcing**
    - **Long term contract (LTC) relationships with key suppliers**

The Transformation – Key Initiatives

- **Strategic Distribution Partnership**
  - **OSD, Joint Staff, Service, TRANSCOM and DLA**
  - **Successfully integrating logistics and transportation**
- **Integrated Data Environment**
  - **DoD wide log data exchange, interoperability**
  - **Piloted in 2001, … completes in 2007**
- **Fuels Automated System**

The Transformation Roadmap

Business Systems Modernization Strategy

Plus

A-76
BRAC 2005
&
Workforce Transformation

National Inventory Management

Dynamic Material Positioning

Strategic Distribution

Customer Relationship Mgmt

Executive Agent: fuels-subsistence

Supplier Relationship Mgmt

Strategic Materiel Sourcing

Integrated Data Environment

Fuels Automated System

$1.8 Billion in Savings on the line

199 → 200

Looking Ahead

Dateline:

Seattle Times

Sunday
31 August 2003

Washington
35

Ohio State
13

Transformation Continuum